

MANAGERIAL OWNERSHIP AND
OPERATING PERFORMANCE: MALAYSIAN
LISTED COMPANY

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MALAYSIAN LISTED COMPANY

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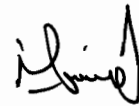
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A Dissertation Submitted in Partial Fulfillment of the Requirements for
the Degree of Master of Science (Banking) at College of Business,
Universiti Utara Malaysia

DECLARATION

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ABSTRAK

Kajian ini mengkaji hubungan antara pemilikan pengurusan dan prestasi operasi syarikat Malaysia yang tersenarai. Analisis regresi linier dari 90 sampel syarikat yang disenaraikan di papan utama Bursa Malaysia dari tahun 2006 sehingga 2009 adalah dijalankan. Keputusan dari model 1 dan model 2 menunjukkan bahawa pemilikan pengurusan adalah berkaitan positif dengan prestasi syarikat. Ini secara tidak langsung apabila semakin tinggi pemilikan oleh CEO syarikat, prestasi syarikat akan lebih bagus terutamanya apabila ia diukur oleh margin keuntungan . Prestasi operasi yang diukur adalah hasil operasi terhadap operasi aset (hasil operasi/operasi aset) dan margin keuntungan operasi, manakala pemilikan pengurusan diukur dengan pemilikan CEO di dalam syarikat. Mengambil kira bahawa CEO adalah eksekutif yang paling penting dalam organisasi, keputusan yang dibuat mempunyai kesan besar pada prestasi. Maka penyelidikan ini menguji hubungan antara pemilikan pengurusan dan prestasi operasi.

Kata kunci: Pemilikan pengurusan, operasi prestasi

ABSTRACT

This study investigates the relationship between managerial ownership and operating performance of Malaysia listed companies. A linear regression analysis of 90 sample firms listed on the main board of Bursa Malaysia from the year 2006 to 2009 is utilized. The result from model 1 and model 2 shows that managerial ownership is positively related to firm performance. This implies that the higher the shares owned by the CEO of the firm, the better will be the performance of the firm, especially if it is measured by the profit margin. Operating performance is measured by operating income to operating asset (OI/OA) and operating profit margin (OI/sales) while managerial ownership is measured by CEO ownership in the company. Considering that the CEO is the most important executive in the organization, whose decisions are likely to have a big impact on performance. Then, this study examined the relationship between managerial ownership and operating performance.

Keywords: Managerial ownership, operating performance

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LIST OF ABBREVIATIONS

OIA : operating income to operating asset

PM : operating profit margin

MGS : managerial ownership

MGS-level: level of managerial ownership

FS : firm size

CPX : capital expenditure

SG : sales growth

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF STUDY

There are many research that been done about managerial ownership and operating firm performance. The studies cover many scope and sectors such as in small and medium enterprise, IPO's, listed company and private company. According to LaPorta, R., Lopez-De-Silanes, F. and Shleifer, A., (1999), ownership structure plays a very important role in corporate finance for the emerging country. According to Helen Short and Kevin Keasey (1998), managerial ownership can be defined as the percentage of equity shares owned by directors' and their direct families at the accounting year end. This definition is consistent to Morck, R., Shleifer, A. and Vishny, R., (1988) while define managerial ownership as ownership by members of the board of directors. However the definition is differing from McConnell and Servaes (1990) which define management ownership as equity owned by corporate officers and members of the board of directors.

The most recent study on operating performance was undertaken by Nurwati A. Ahmad-Zaluki (2008) that studied on Malaysian IPO companies by using a sample

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